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FIRST COUNTRY COOPERATION FRAMEWORK FOR THE REPUBLIC OF MOLDOVA (1997-1999)

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INTRODUCTION

1. UNDP began its operations in the Republic of Moldova in February 1993, with the establishment of an office in Chisinau and the appointment of the first Resident Representative and United Nations Resident Coordinator. A short-term country framework was formulated in October 1993, which guided operations until the first country programme for the period 1994-1996 (DP/CP/MOL/1) was prepared and approved by the Executive Board in April 1995. A country programme review was carried out in July 1996, to examine the results of the first country programme. Building upon the lessons learned and experience gained under the first programme, a draft advisory note on future development cooperation was prepared, which was then discussed within and between UNDP and the Government. The present country cooperation framework (CCF) is based on that advisory note, taking into consideration the comments of both the Government and UNDP.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. With respect to UNDP-identified priority areas for sustainable human development, the situation in the Republic of Moldova may be summarized as follows:

(a) Governance: since the country's independence in 1991, the Government has taken important steps to refocus and strengthen the institutions necessary for the efficient and fair conduct of government. Thus, a new Constitution, approved in August 1994, defined the rights of citizens, the responsibilities of the Government, and the principles for the conduct of governance in a new parliamentary democracy. Much legislation has been approved to determine in more detail the mechanisms and institutions of the new form of governance, but because of the economic decline and the continued weakness of some institutions, particularly those outside the Government, assistance and more time are required for the full functioning of a decentralized and democratic system to make itself felt throughout society as a whole;

(b) Poverty eradication: According to the 1995 national human development report, in 1993, the proportion of the population categorized as "low income" rose from 13.9 per cent in 1991 to 70.2 per cent in 1993, and those below the poverty line, from 2.1 per cent to 40.6 per cent during the same period. According to an opinion poll, the quality of life for 87 per cent of the population declined in 1994/1995, and the Republic of Moldova is one of the countries of Eastern Europe and the Commonwealth of Independent States where the highest increase of poverty and misery has been noted. Poverty alleviation is, therefore, a key objective of the Government's economic reform programme;

(c) Employment and sustainable livelihoods: economic decline and structural transformations have affected the labour market considerably. Mass layoffs, due largely to the closure of enterprises, have greatly increased unemployment. While the officially registered unemployed amount to 24,500 (1.4 per cent of the work force) in 1996 (not including Transnistria), hidden unemployment was estimated in 1995 to have affected over 220,000 people or some 13 per cent of the working population, although it is widely considered to be greater. Approximately 65 per cent of the unemployed are women, and nearly half are under 30 years of age;

(d) Gender: in the Republic of Moldova, 52.2 per cent of the population are women. With an average life expectancy of 72 years, women live longer than men, work longer hours, both at home and work, and earn 20 to 30 per cent less than men. Women's roles as leaders in society, for instance, in Parliament, in government ministries, in senior management position and in the professions, have also declined markedly over the last few years. In other words, without quotas, women have been unable to achieve and hold positions of power;

(e) Environment: the Republic of Moldova's National Programme for Strategic Action in the Environment, prepared in the context of the United Nations Conference on Environment and Development's Agenda 21, envisages a broad-based programme of environmental reform to address the country's main environmental issues, namely: contaminated water resources, land and soil degeneration, polluted air and lack of national energy resources. Little progress has been made to date on the implementation of the national programme. However, the Government has confirmed that, in cooperation with UNDP and with the participation of the appropriate United Nations specialized agencies, its implementation would be a priority for future cooperation.

II. RESULTS AND LESSONS OF PAST COOPERATION

3. During the period 1993-1996, UNDP cooperation has focused on providing support for projects in the following thematic areas: (a) governance and democracy, (b) human resources and management development, (c) the social sector, and (d) the environment. These areas conformed to both the Government's priorities, as well as to the key concerns of UNDP.

4. Activities under the first country programme have contributed to the strengthening of capacity in public administration in key government departments, enabling the Government to respond to a wide range of needs related to new political, economic and social realities. In terms of financial resources, on the basis an indicative planning figure of approximately $1.0 million, $4.4 million in cost-sharing resources ($3.9 million from the Government of the Netherlands and $0.5 million from the Government of Sweden) were mobilized. In addition, some $3 million were raised from other UNDP funds and emergency assistance.

5. A number of UNDP-assisted activities, especially those in the area of private sector development/small- and medium-scale enterprises, have been complementary to activities assisted by other donors. To further promote and strengthen this complementarity, UNDP has contributed to building government capacity in donor coordination, and to the sharing of information among development partners, through the organization of meetings and the distribution of weekly news bulletins.

6. Moreover, under the first country programme, UNDP organized three regional seminars relating to regional trade, gender and the ombudsman and human rights institutions, respectively, and has assisted the Government in negotiations with the Development Assistance Committee of the Organisation for Economic Cooperation and Development on the inclusion of the Republic of Moldova in its list of developing countries, thus making the country eligible to receive

concessional assistance. A number of study tours for senior government officials were also financed.

7. In addition, during the period 1993-1996, UNDP has cooperated with the Government in the publication of a number of documents, including two national human development reports; two development cooperation reports; a booklet commemorating the fiftieth anniversary of the United Nations, which also examined the role of the United Nations in the Republic of Moldova as well as the role of the Republic of Moldova in the United Nations; weekly information reports; the national reports on the World Summit for Social Development and the Fourth World Conference on Women; and some 24 reports on various economic and social subjects prepared by national consultants.

8. The valuable contributions of small projects was noted during the review of the first country programme. These projects have provided leverage for resource mobilization and a vehicle for addressing a large number of the many priority areas the country faced in the transition process. They have also helped to build capacity, which, in turn, has permitted them, in spite of their small size, to become sustainable. However, it was also recognized that to increase impact, the use of the programme approach, whereby UNDP support would be designed to assist in formulating and implementing national programmes in selected areas, could provide a more effective framework for coordination, resource mobilization and management. For this reason, particular emphasis is being placed in the present CCF on the strengthening of the use of the programme approach.

III. PROPOSED STRATEGY AND THEMATIC AREAS

9. Under the first CCF, the UNDP priority areas of focus - poverty elimination, job creation, environmental protection and regeneration and the advancement of women - will be addressed through two areas of concentration, complemented by public information and coordination activities:

(a) Promotion of sound governance, which will focus on the institutional and policy instruments for effective government, with particular reference to Parliament, the Court of Accounts, local government, the judiciary, human rights, strategic planning, external resources management, disaster management, and environmental management;

(b) Promotion of sustainable livelihoods, which will focus on the design and implementation of policies which are targeted at particular groups, such as the poor, women, the unemployed, and victims of crime and drug abuse.

10. Within the overall strategic thrust of people-centred, sustainable development, UNDP cooperation will be guided by a number of principles, the most important of which are: advocacy; aid coordination; United Nations system collaboration; use of the programme approach; national ownership, with the involvement of civil society; resource mobilization; and mainstreaming of gender issues.

11. Particular attention will also be given to promoting linkages with regional projects in the areas of poverty reduction; democracy, governance and

participation; external resources management; gender and development; small- and medium-scale enterprises; and environmental management, and to obtaining the maximum benefit from these projects in terms of information, training, capacity-building, and methodologies. In order to strengthen these linkages, and in accordance with new regional bureau procedures, a proportion of funds for each national project will henceforth be allocated to the corresponding regional project in which the country is participating.

A. Promotion of sound governance

12. This area of concentration reflects the Government's commitment to the process of establishing and strengthening the instruments of parliamentary democracy, decentralized development and the rule of law appropriate for the transition to a market economy. As described more specifically below, under the first CCF, UNDP will cooperate with the Government in its implementation of national programmes designed to address the development of sound governing institutions and democratic processes, decentralization and strengthening of local governance, public sector reform, the enhancement of macroeconomic management towards achieving sustainable human development, and the strengthening of aid coordination.

Governance and Democracy Programme

13. Under the first CCF, and with continued support from the regional project RER/94/001, "Democracy, Governance and Participation", UNDP will continue to cooperate with the Government in three sub-programmes relating to:

(a) Parliament and the Court of Accounts, to consolidate the operation of Parliament through the design of various relevant procedures and mechanisms, and to establish a Court of Accounts which would be the main auditing mechanism of the Government;

(b) Local government development, to stimulate local initiatives, and to provide the necessary policy and legislative environment for regional, district and local development. In this respect, the Government has started, with UNDP support, a process of regional and district planning. Work will continue on the preparation of regional and local development strategies and sectoral/thematic studies;

(c) Judicial and legislative reform, to continue support to the ongoing process of the reform and strengthening of judicial institutions and procedures, the training of human resources, and the establishment of a computerized legal information system. Particular attention will be given to legislation in favour of women.

14. Furthermore, in the area of human rights promotion, UNDP will cooperate with the Government in the establishment of a national centre for human rights, which will strengthen the possibilities of citizens to have recourse to an impartial and independent institution to which they can address human rights issues, as well as facilitate the process by which the Republic of Moldova may become a signatory to the key international conventions relating to human rights, e.g., the Convention on the Rights of the Child and the Convention on the Elimination of all Forms of Discrimination against Women. In addition, a

continuation of UNDP support to strengthen the capacity of the Ministry of Foreign Affairs has also been requested.

Programme for the Formulation and Implementation of a National Development Strategy

15. In order to provide a significant policy instrument for the promotion of sound governance, UNDP will cooperate with the Government in its formulation of a medium- and long-term strategy for development, which will combine short-term macro-socio-economic reform and structural adjustment measures with a longer term process of capacity-building. It is hoped that this will also enhance macroeconomic management for sustainable human development. Close collaboration between UNDP and the World Bank will be part of this process. Moreover, in order to take environmental issues into consideration in the formulation of the strategy for development, and to give greater impetus to the National Programme for Strategic Action in the Environment, support from Capacity 21 is envisaged. Along the same line, the area of disaster mitigation and preparedness must be taken into consideration in longer term strategic planning. Thus, in view of the fact that the country is prone to serious natural disasters, as exemplified by the flood, hail and drought emergencies in 1994/1995, involving estimated losses of some $400 million, UNDP will continue to cooperate with the Government in its efforts to strengthen its capacity to plan for and respond to humanitarian and other needs.

External Resources Management Programme

16. With UNDP support for the Department of Foreign Economic Relations (DFER) in the Ministry of Economy through project MOL/93/003, "Strengthening National Capacity for External Resource Management", substantial progress has already been made in strengthening the system of management, monitoring and coordination of external resources, particularly in the area of technical cooperation. Further cooperation will focus on strengthening DFER in its coordination role, the organization of information exchanges, preparations for consultative group meetings and the establishment of a computerized reference unit to bring together all documents pertaining to donor-assisted projects. The project will continue to be linked to the regional project RER/93/025, "Regional Training/National Capacity Building for External Resources Management". In addition, based on the lessons learned during senior government officials' recent tour of four Latin American countries, the Government has requested UNDP support for a new Programmes and Projects Implementation Centre, which would assist in the implementation, management and monitoring of all assistance projects, including those of the World Bank, the European Bank for Reconstruction and Development, the European Union's Technical Assistance for the Commonwealth of Independent States programme and the United Nations system. The Centre could provide an important source of future cost-sharing contributions and strengthen the Government and UNDP roles in aid coordination.

B. Promotion of sustainable livelihoods

17. Since its independence, the Republic of Moldova's gross domestic product has fallen dramatically (by 60 per cent), and the inflow of resources from the former Soviet Union has ceased. Thus, overall levels of poverty have increased. In the absence of a sufficiently developed economy and adequate national

savings, the Government has not able to maintain existing programmes and services. As a result, the Government has requested support in a number of areas related to the concept of sustainable livelihoods, which together can contribute to increasing incomes and protecting such vulnerable groups as women, the unemployed, and victims of crime and drug abuse. Under the first CCF, UNDP will cooperate with the Government in its implementation of the national programmes described below.

Poverty Alleviation Programme

18. As part of the Government's Programme for the Formulation and Implementation of a National Development Strategy, it is proposed to formulate a National Poverty Alleviation Programme, with financing from the UNDP Poverty Strategy Initiative, which will be part of a series of actions envisaged for the preparation of a poverty assessment, together with the World Bank, initially in the area of data collection and analysis. This process will also help in the formulation of policies and mechanisms to address the needs of specific target groups, including the development of a national social development policy, which would be part of the national development strategy described in paragraph 15 above, and the creation of a Social Investment Fund, for which World Bank assistance is envisaged. These activities will also be linked to the regional poverty project, and as part of the process of the collection of socio-economic indicators, UNDP will provide support in the area of national accounts.

19. Furthermore, as one of the potential instruments of using the skills of Moldovan youth, and of providing employment, UNDP/United Nations Volunteer programme support has been requested for the establishment of a National Volunteer Programme, which would provide national volunteers for public and community works projects throughout the country. The recruitment of Moldovan specialists for service as United Nations Volunteers abroad is also envisaged.

20. Recognizing that crime and drug abuse are often closely related to poverty, UNDP support is also envisaged for an eventual national programme for crime prevention and drug control. In this connection, one of the most acute social problems of the transition process has been the rise in crime related, inter alia, to the illicit importation and trafficking of drugs and their subsequent effect on Moldovan society. In order to strengthen the Government's capacity to control crime and drug trafficking, and to raise public awareness of drug problems, assistance from the United Nations International Drug Control Programme will be sought.

Enterprise and Trade Development Programme

21. One of the key instruments for poverty alleviation is the stimulation of a flourishing local private sector, in particular through the promotion of small- and medium-scale enterprises, which will help to generate employment and income and compensate for the declines experienced due to the closure of numerous enterprises. The Government has already initiated several projects with a number of donors (e.g., the World Bank, the European Union's Technical Assistance Programme for the Commonwealth of Independent States, the United States Agency for International Development and UNDP) for private sector development and the establishment of business centres to advise potential entrepreneurs. Project MOL/94/003, "Small- and Medium-scale Enterprises in

Moldova", based on the experience of the regional project in the same area (RER/94/004, based in Romania), and using inputs and practices devised by the regional project, has obtained significant and cost-effective results. In a parallel initiative designed to stimulate economic growth, the Government is giving particular attention to the eventual development of national programmes in the area of trade and foreign investment promotion. Thus, it is envisaged that UNDP could assist in the establishment of an International Centre for Trade Promotion, which would help to identify new external markets for Moldovan products and promote new trade links, which would, in turn, help to raise incomes and alleviate poverty. In addition, given the close link between trade and foreign direct investments, the Government has also proposed to establish, with UNDP support, a special agency for the promotion of foreign direct investment. Two related projects for which the Government has requested UNDP support, subject to funding, relate to the standardization and certification of export products and the establishment of an Information and Documentation Centre within the State Agency for the Protection of Intellectual Property.

Gender-in-Development Programme

22. UNDP attaches high priority to redressing the downward trends affecting women described in paragraph 2 (d) above. It is proposed that UNDP cooperation in the area of women in development (MOL/93/005 and MOL/93/327) be consolidated, and that particular emphasis be placed on formulating a national programme for gender in development, which would help to bring gender issues into the mainstream of all areas of the economy and society. The programme would be the planning and coordinating instrument at the national level for the recommendations of the Fourth World Conference on Women. Complementary resources will be required to finance core support to the Women's Unit in the Ministry of Labour and Social Protection, as well as for individual projects and the work of women's non-governmental organizations. This project will be linked to the future regional gender-in-development project.

IV. MANAGEMENT ARRANGEMENTS

Execution and implementation

23. It is expected that national execution will continue to be the principal modality for UNDP cooperation in the Republic of Moldova, with the services of United Nations specialized agencies for specific components and budget lines as required. In view of the continued need to provide assistance on the formulation and implementation of national programmes as well as to support the participation of Government officials in short-term courses and study tours, the continuation of project MOL/93/001, "Support for Programme Development", is envisaged. In addition, implementation modalities such as the United Nations Volunteer programme, Transfer of Knowledge Through Expatriate Nationals, United Nations International Short-Term Advisory Services and technical cooperation among developing countries will be used as appropriate, subject to the availability of funding.

Coordination

24. The UNDP country office will continue to play an active role in coordination activities, on the one hand, by helping to strengthen the Government's own capacity in this area through project MOL/93/003, "Strengthening National Capacity for External Resources Management", and on the other hand, through informal networks among donors and visiting missions. The country office will continue to participate in and host donor meetings, particularly among the organizations of the United Nations system, and play a lead role in the forthcoming preparation of a country strategy note. The country office will also continue to collect and distribute information on development cooperation, both through the annual development cooperation report, as well as through more up-to-date and timely status reports. The office will also explore with the Government how it can make full use of the Internet, to ensure that United Nations projects benefit fully from this new source of information.

Public information

25. As part of its 1994-1996 programme of cooperation with the Government, the UNDP country office distributed information on various United Nations activities within the country and elsewhere, in order to provide the local population with a more comprehensive view of the role of the United Nations. In addition, one of the important functions of the UNDP office has been the distribution of information on political and economic developments in the Republic of Moldova, as a means of making the country and its needs better known to the international donor community. Towards this end, UNDP will continue to prepare weekly information reports, consisting of extracts from the national press on relevant political, economic and social events. These reports will continue to be distributed to diplomatic missions accredited with, but not located in the Republic of Moldova, and United Nations agencies.

Monitoring and evaluation

26. All projects will be subject to standard UNDP monitoring and evaluation procedures, including progress and technical reports, meetings and visits. The programme will be reviewed on an annual basis by the local Programme Advisory Committee. Particular attention will be given to identifying benchmarks and success indicators for each national programme and project, to facilitate monitoring and evaluation.

Resource mobilization

27. In view of the limited UNDP resources available, particular attention will be paid to mobilizing additional resources to support the achievement of national programme objectives, in particular through the cost-sharing mechanism. Initial estimates of potential cost-sharing contributions amount to some $21 million, which can hopefully be supplemented from funds for special activities and regional, interregional and trust funds. If past trends can be maintained, a total of $24.7 million is envisaged for the period 1997-1999, with UNDP core resources in the amount of $2.8 million. Achievement of this goal will require the formulation of strategic projects able to attract resources from multilateral and bilateral funding sources.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR THE REPUBLIC OF MOLDOVA (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	379	
TRAC 1.1.1	274	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
Other resources	1 863	In line with decision 95/23, paragraph 19.
TRAC 1.1.3	128	
SPPD/STS	123	
Subtotal	2 767 a/	
NON-CORE FUNDS		
Government cost-sharing	10 000	From eventual implementation of World Bank, EBRD and other loans.
Sustainable development funds	-	
Third-party cost-sharing	11 067	
Funds, trust funds and other	350	
Subtotal	21 417	
GRAND TOTAL	24 184 a/	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: EBRD = European Bank for Reconstruction and Development; IPF = indicative planning figure; SSPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignments from the core.